

Weekly Insights 2 Sep 2022: Global headwinds: lower global trade volumes amid inflation & cargo costs; oil exporters gain

Weekly Insights 2 Sep 2022: Global headwinds: lower global trade volumes amid inflation & cargo costs; oil exporters gain

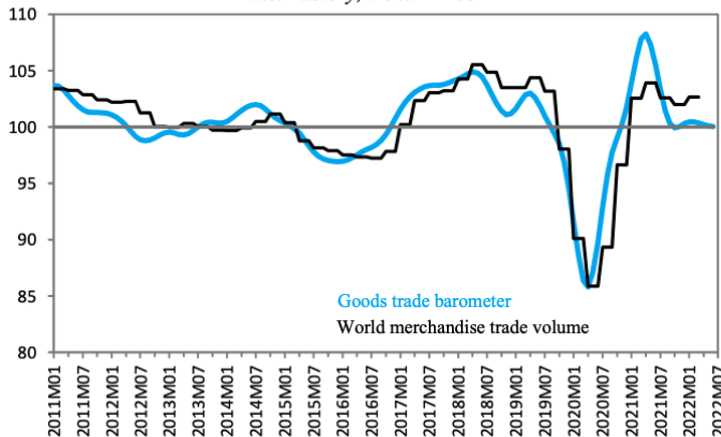
1. WTO's Goods Trade Barometer stays stable in Jun; components point to stagnating trade growth in Q2, Q3

- According to the WTO, **global merchandise trade volume slowed to 3.2% yoy in Q1 2022** (Q4: 5.7%), largely due to the economic uncertainty stemming from the Ukraine crisis and Covid19-related lockdowns in China.
- The **Goods Trade Barometer stood at 100 in Jun 2022**, same as the baseline value, but below the merchandise trade volume => trade growth to slow in Q2 (though remaining positive).
- Among the drivers, export orders has slightly declined as has air freight and electronic components sub-indices. The largest **positive was seen in the container shipping index**, outperforming all others in Jun.

Goods trade barometer

Jun 2022 = 100

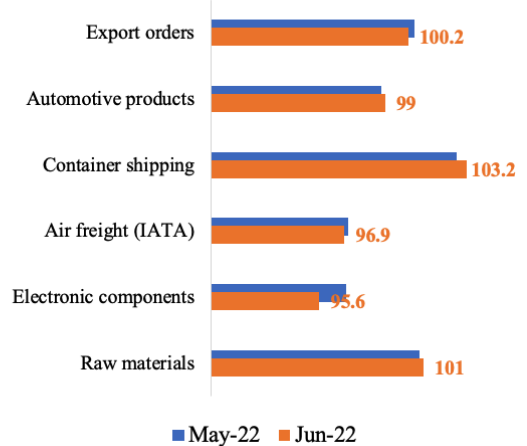
Index history, trend = 100



Source: Goods Trade Barometer, Aug 2022, WTO.

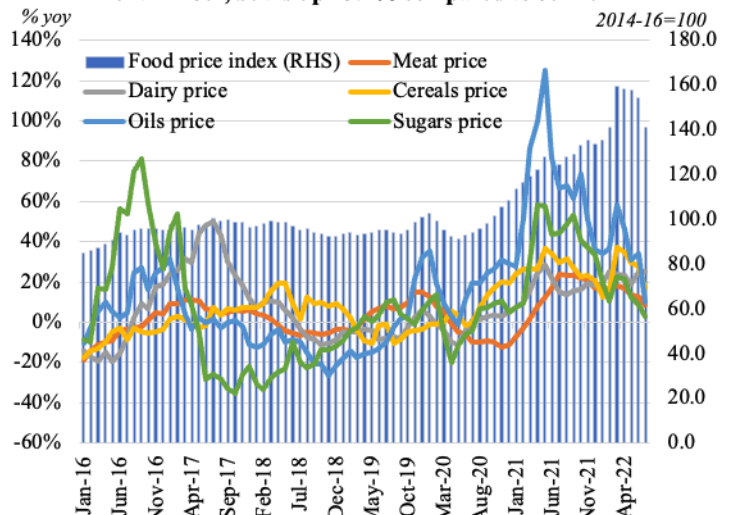
Drivers of goods trade

Component index values, trend=100



2. Potential trade slowdown also reflects global pain points

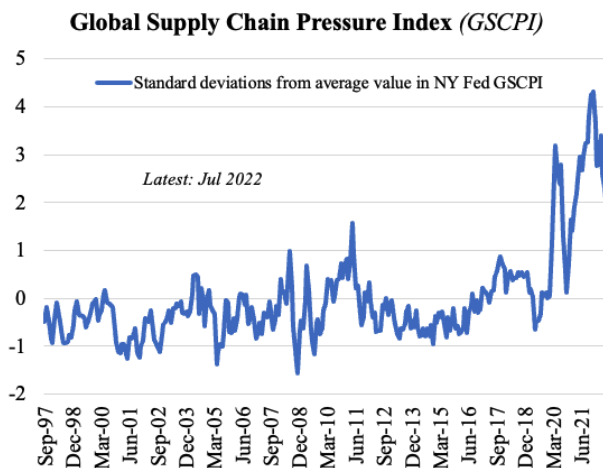
UN's food price index declined for the 4th consecutive month in Jul, but is up 13.1% compared to Jul 2021



Source: UN FAO. Chart by Nasser Saidi & Associates

- A surge in global food prices (UN FAO) drove inflation, feeding into consumer demand & spending patterns. But pressures are abating.
- Fed's GSCPI shows that though **global supply chain pressures have eased in recent months**, it remains at historically high levels
- While the cost of shipping raw materials is declining (Baltic Dry Index), **container-ship charter rates** (tracked by Harpex Shipping Index) **are still high** vs pre-pandemic levels (due to port congestions, availability of vessels etc.). The high shipping costs

also add on to rising inflationary pressures

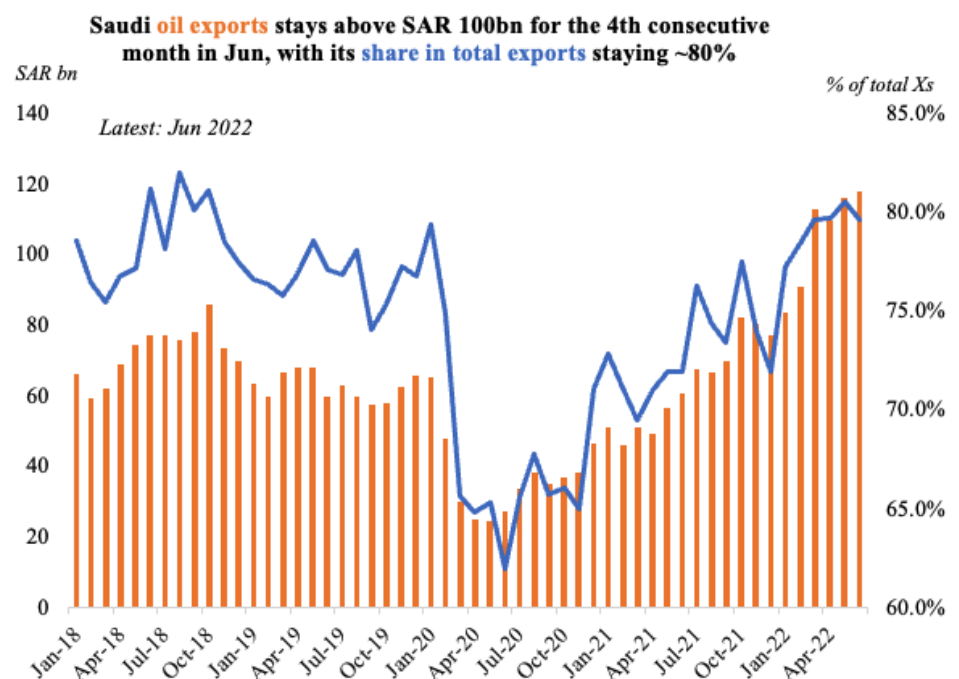


Source: Federal Reserve Bank of New York, Aug 2022



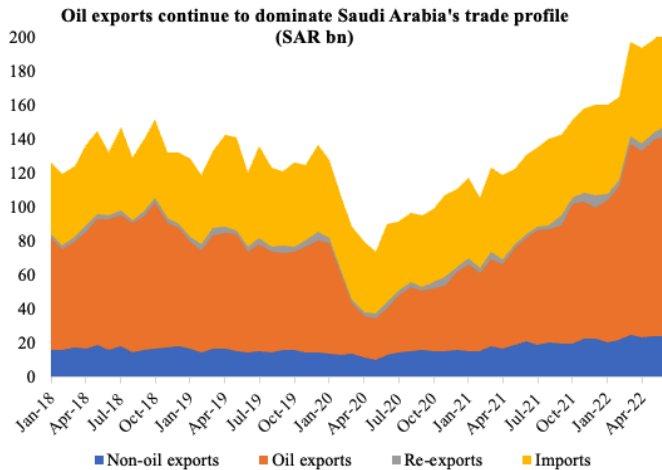
Source: Reuters Eikon. Chart by Nasser Saidi & Associates

3. Saudi oil exports more than doubles in H1 2022 (vs H1 2021); non-oil exports grow by 30%

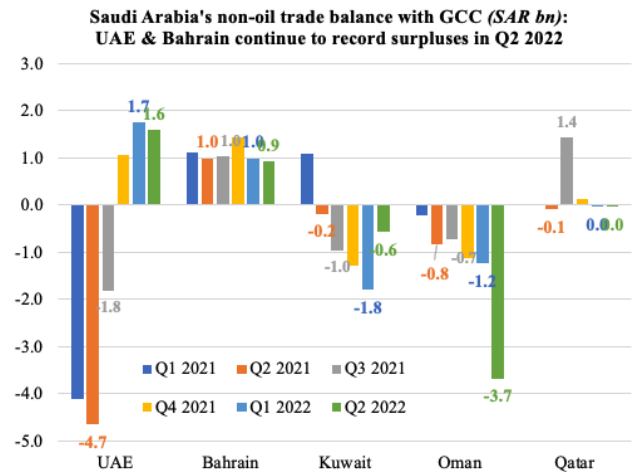


- **Oil exports are the main driver of Saudi trade**; it has averaged close to 80% of total exports in H1 this year
- **Non-oil exports are also rising**, thanks to an uptick in chemical products and plastics (7% and 6% of total exports respectively)
- As of Jun 2022, **almost half of Saudi exports went to Asian non-Arab non-Islamic nations**, followed by the EU (14%) and the GCC (9%)
- Among the GCC nations, both **UAE and Bahrain continue to register trade surpluses with Saudi**; Oman's deficit

widened in Q2 2022



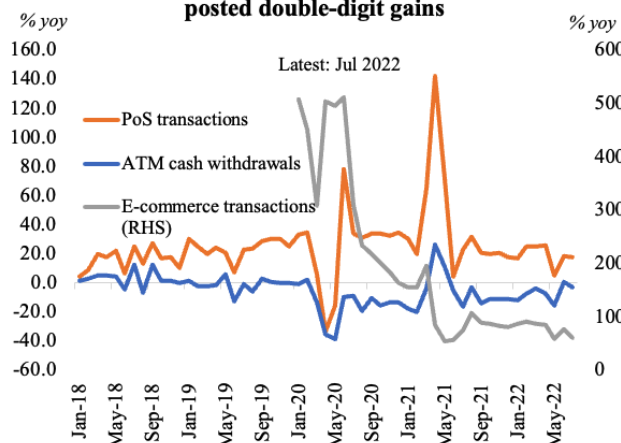
Source: GaStat. Charts by Nasser Saidi & Associates



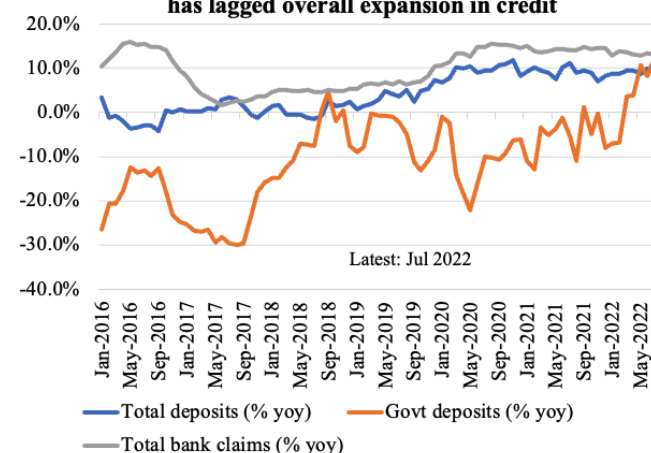
4. Key findings from Saudi monthly statistics

- Saudi consumer spending continues to rise in Jul; ATM transactions resumed its decline in Jul
- Net foreign assets climbed to SAR 1.67trn in Jul
- Total demand deposits grew (thanks to higher govt deposits), but still lags growth in bank claims
- New residential mortgages for individuals declined by 23.4% yoy in Jul, following a rebound in Jun

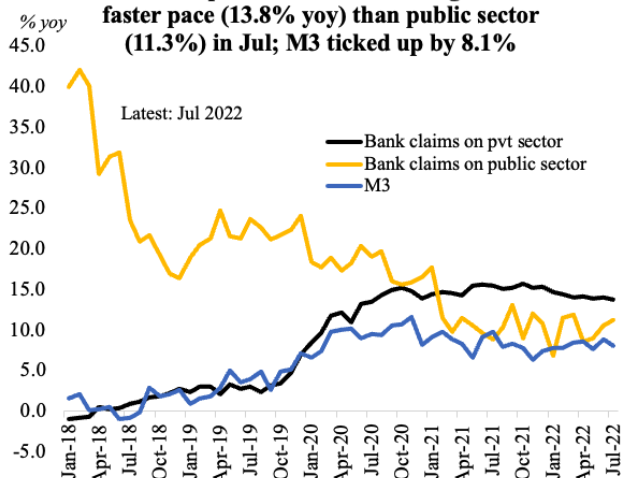
Saudi spending: ATM transactions slipped by 2.6% yoy in Jul 2022 while PoS & e-commerce posted double-digit gains



Government deposits in Saudi Arabia stand at close to SAR 660bn (Jul 2022); growth in bank deposits has lagged overall expansion in credit

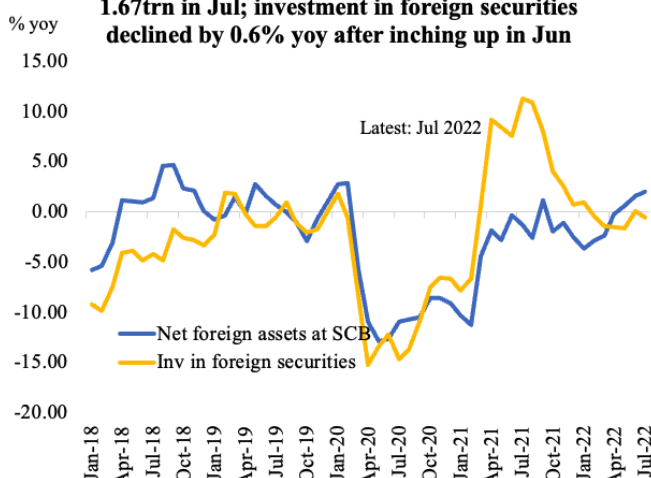


Claims on private sector in Saudi grew at a faster pace (13.8% yoy) than public sector (11.3%) in Jul; M3 ticked up by 8.1%



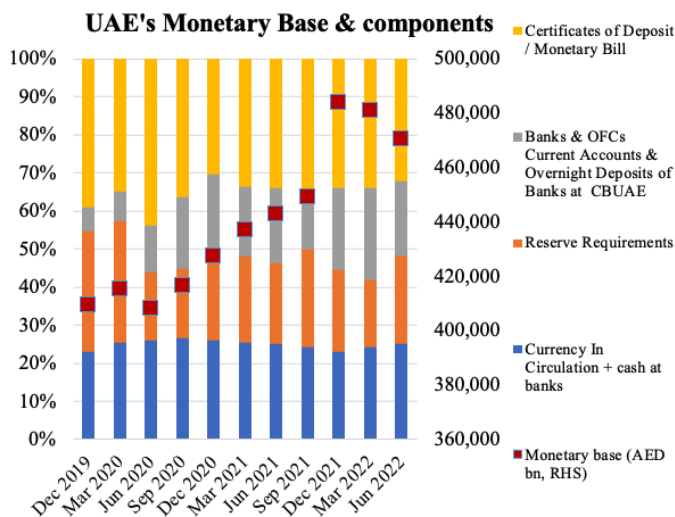
Source: Saudi Central Bank. Charts created by Nasser Saidi & Associates

SCB's Net Foreign Assets gain by 2% yoy to SAR 1.67trn in Jul; investment in foreign securities declined by 0.6% yoy after inching up in Jun

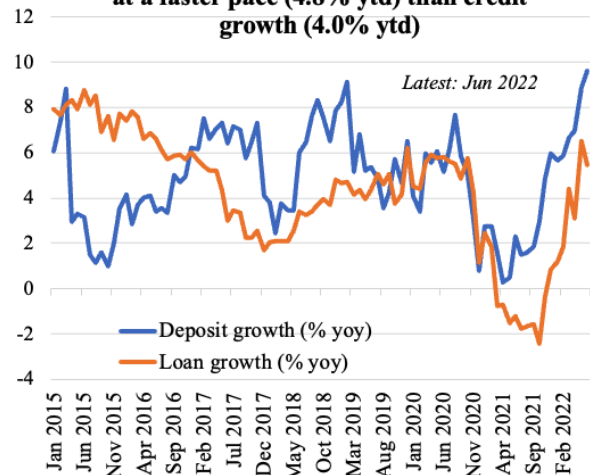


5. UAE released banking indicators for Jun 2022

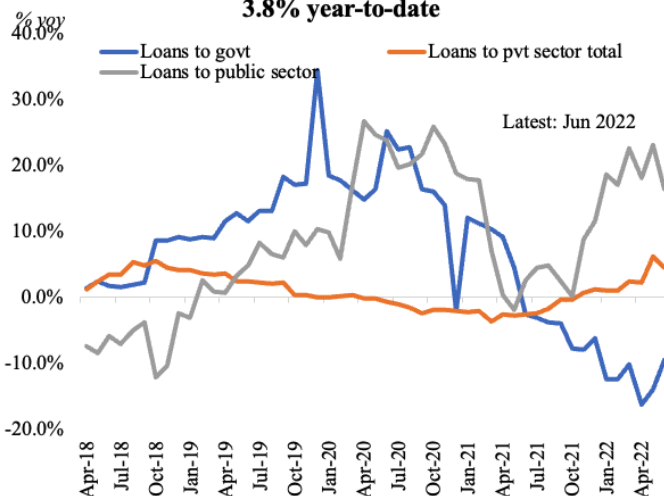
- **Monetary aggregates M2 & M3 increased** in Jun; currency in circulation inched up by 1.8% mom in Jun, but the monetary base contracted by 1.5% to AED 470.7bn
- **Deposit growth outpaced loans & advanced in 2022:** 4.8% year-to-date (ytd) vs 4% ytd.
- **In Jun alone, domestic credit declined by 0.6% mom & credit to the private sector fell by 1.2%.**
- **Lending to SMEs has been falling:** it is down by 7.9% ytd



Deposit growth in the UAE has been rising at a faster pace (4.8% ytd) than credit growth (4.0% ytd)

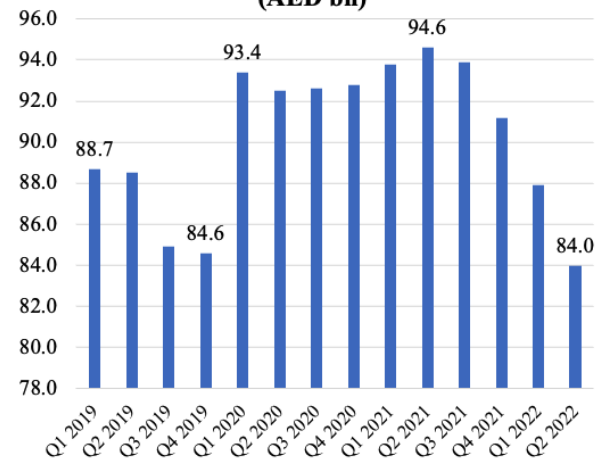


Growth in loans to UAE's private sector up by 3.8% year-to-date



Source: UAE Central Bank. Charts by Nasser Saidi & Associates

SME lending in the UAE surged during 2020-21, easing to AED 84bn in Jun 2022



Powered by:

REFINITIV[™]

